

COOLBRANDS INTERNATIONAL INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(Tabular amounts expressed in thousands of Canadian dollars, except share data)

This management's discussion and analysis ("MD&A") addresses the results of operations and financial position of CoolBrands International Inc. ("CoolBrands" or the "Company") for the three months ended November 30, 2009 (the "Fiscal 2010 First Quarter"), compared to the three months ended November 30, 2009 (the "Fiscal 2009 First Quarter"). This MD&A is dated December 21, 2009 and has been approved by the Board of Directors of CoolBrands on the recommendation of the Audit Committee.

This MD&A should be read in conjunction with the Company's audited August 31, 2009 consolidated financial statements and the related notes, which may be accessed on the Internet at www.sedar.com. Additional information relating to the Company, including the Company's Annual Information Form, can also be accessed on the SEDAR website.

Unless otherwise indicated, all financial information herein is prepared in accordance with Canadian generally accepted accounting principles and all dollar amounts referred to herein are in Canadian dollars, except per share data. As a result of rounding differences, certain figures in this MD&A may not total.

Cautionary Statement Regarding Forward Looking Statements

The information in this document contains certain forward-looking statements with respect to CoolBrands International Inc. and its subsidiaries. These statements are often, but not always made through the use of words or phrases such as "expect", "should continue", "continue", "believe", "anticipate", "estimate", "contemplate", "target", "plan", "budget", "may", "will", "schedule" and "intend" or similar formulations. By their nature, these forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant, known and unknown, business, economic, competitive and other risks, uncertainties and other factors affecting CoolBrands specifically or its industry generally that could cause actual performance, achievements and financial results to differ materially from those contemplated by the forward-looking statements. These risks and uncertainties include the Company's ability to effectively manage the risks inherent with mergers and acquisitions; the ability of the Company to minimize the negative impact of any litigation; the effect on foreign operations of political, economic and regulatory risks; currency risk exposure; the ability to recruit and retain qualified employees; and other risks described from time to time in publicly filed disclosure documents of CoolBrands and its subsidiaries. In view of these uncertainties we caution readers not to place undue reliance on these forward-looking statements. CoolBrands disclaims any intention or obligation to update or revise any statements made herein, whether as a result of new information, future events or otherwise.

About CoolBrands International Inc.

CoolBrands International Inc. is a company looking to profit from its current financial holdings by searching out, investigating and investing in enterprises that are expected to provide long-term positive returns for its shareholders.

Financial Results

Revenue from continuing operations

Revenue is comprised primarily of interest earned by the Company on its invested cash funds; and rental income earned on its property in New Jersey. Revenue decreased in the Fiscal 2010 First Quarter to \$175,000 compared to \$566,000 in the Fiscal 2009 First Quarter, primarily as a result of lower interest earned on invested funds due to declining interest rates and interest accrued on a promissory note in the Fiscal 2009 First Quarter that did not reoccur in the Fiscal 2010 First Quarter..

General and administrative expenses

General and administrative expenses include salaries and benefits, consulting and legal fees, directors fees, costs associated with public company reporting requirements, office expenses and operating expenses related to a building in New Jersey. The decrease in general and administrative expenses in the Fiscal 2010 First Quarter compared to the Fiscal 2009 First Quarter was primarily the result of lower legal fees and reduced premiums for directors and officers insurance.

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Gain (loss) on foreign exchange

During the Fiscal 2010 First Quarter the Company incurred a loss on foreign exchange of \$181,000 as a result of the appreciation of the Canadian dollar against the U.S. dollar. While the Company has significantly reduced its U.S. dollar investment holdings, the Company does continue to hold approximately \$6,100,000 of investments denominated in U.S. dollars. In the Fiscal 2009 First Quarter, the Canadian dollar decreased in value compared to the U.S. dollar resulting in a foreign exchange gain of \$2,562,000 on the Company's significant U.S. dollar assets that were held at that time.

Income taxes

As a result of cumulative operating losses, the Company does not have an income tax expense in the current or prior year. The Company has established an allowance for non-capital loss carry-forwards, and temporary timing differences between tax and accounting values, as the utilization of such loss carry-forwards is considered unlikely.

Discontinued operations

Income from discontinued operations in the Fiscal 2010 First Quarter was primarily due to settlements with prior trading partners for amounts exceeding the book values recorded in the Company's accounting records.

Loss for the period

The Company reported a loss of \$(232,000), or \$(0.00) per fully diluted share in the Fiscal 2010 First Quarter, which was comprised of a loss from continuing operations of \$(338,000), or \$(0.01) per fully diluted share, and income from discontinued operations of \$106,000, or \$0.00 per fully diluted share. Contributing to the loss from continuing operations was a foreign exchange loss of \$181,000. The Company reported income of \$2,468,000, or \$0.04 per fully diluted share for the Fiscal 2009 First Quarter, which was comprised of income from continuing operations of \$2,716,000 (including a foreign exchange gain of \$2,562,000), or \$0.05 per fully diluted share and a loss from discontinued operations of \$(248,000), or \$(0.00) per fully diluted share.

Summary of quarterly results

The following table presents a summary of the Company's financial results for the last eight quarters:

Quarter ended	November 30, 2009	August 31, 2009	May 31, 2009	February 28, 2009
Total revenues from continuing operations	\$ 175	\$ 178	\$ 254	\$ 449
Income (loss) from continuing operations	(338)	(92)	(1,128)	307
Income from discontinued operations	106	121	163	163
Income (loss) for the quarter	\$ (232)	\$ 29	\$ (965)	\$ 470
Earnings per share (basic and diluted)				
Income (loss) per share from continuing operations	\$ (0.01)	\$ 0.00	\$ (0.02)	\$ 0.01
Income per share from discontinued operations	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Income (loss) per share	\$ (0.00)	\$ 0.00	\$ (0.02)	\$ 0.01

Quarter ended	November 30, 2008	August 31, 2008	May 31, 2008	February 29, 2008
Total revenues from continuing operations	\$ 566	\$ 774	\$ 588	\$ 664
Income (loss) from continuing operations	2,716	3,402	657	(307)
Gain (loss) from sale of discontinued operations	-	(138)	-	6,910
Income (loss) from discontinued operations	(248)	448	(487)	(1,771)
Income for the quarter	\$ 2,468	\$ 3,712	\$ 170	\$ 4,832
Earnings per share (basic and diluted)				
Income per share from continuing operations	\$ 0.05	\$ 0.05	\$ 0.01	\$ 0.00
Income (loss) per share from discontinued operations	\$ (0.00)	\$ 0.01	\$ (0.01)	\$ 0.09
Income per share	\$ 0.04	\$ 0.06	\$ 0.00	\$ 0.09

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Liquidity

The following sets forth certain measures of the Company's liquidity:

	November 30, 2009	August 31, 2009
Cash and short-term investments	\$ 64,661	\$ 61,898
Working capital	\$ 63,163	\$ 63,149
Current ratio	23.42 to 1.0	19.75 to 1.0

Cash and short-term investments increased by \$2,763,000 in the Fiscal 2010 First Quarter as a result of the collection of a promissory note and accrued interest relating to the prior year sale of one of the Company's subsidiaries, offset by: a short-term promissory note advance of \$1,000,000 to an unrelated third party, vendor payments and unrealized foreign exchange losses. Working capital was essentially unchanged from August 31, 2009.

The Company invests its funds primarily in short-term securities, consisting of corporate commercial paper (non-asset backed), bank term deposits and savings accounts and money market funds. Approximately 50% of the Company's funds have been allocated to an investment manager who invests these funds in an active manner with the prime objective to maintain a high degree of liquidity with emphasis on security of principal and the elimination of default risk. This investment manager will invest in short term investments issued by corporations that have a minimum rating of R-1 or A, by the Dominion Bond Rating Service (DBRS). Over the past two years, the Company has not invested in any securities with a maturity date greater than nine months. This practice may change depending on yield curves presented to the Company and discussions with its investment managers.

As a consequence of the current financial crises and the decline in economic activity, market interest rates on investment instruments have declined significantly over the past several months. The impact of such decline has resulted in a reduction of investment returns on the Company's invested funds. Assuming that these interest rates continue at a low level, the revenue earned by the Company over the remainder of the year will be lower when compared to prior periods. As well, investment returns may not be sufficient to offset the Company's general administration costs, such that income from continuing operations may continue to be negative in the future.

Due to the nature of the Company's current operations and its significant cash resources, the Company is not dependent on the availability of credit facilities nor is it subject to lending covenants that impact its business.

One of the Company's subsidiaries is a sponsor of a defined benefit pension plan. The last actuarial report, effective January 1, 2009, showed actuarial liabilities in excess of plan assets of U.S. \$494,000 or 19% of the actuarial liability. The Company's actuary has advised that no funding of this shortfall will be required in Fiscal 2010. However, in the event that the actuarial liability exceeds the value of the pension plan assets in the future, it may be necessary for the subsidiary to fund such shortfall.

Cash flows from operating activities of continuing operations

The Company generated cash from operating activities of \$385,000 in the Fiscal 2010 First Quarter, compared with generating cash of \$2,901,000 in operating activities in the Fiscal 2009 First Quarter. The principal reason for the change was the foreign exchange gain realized in the Fiscal 2009 First Quarter.

Cash flows from investing activities of continuing operations

During the Fiscal 2010 First Quarter, cash provided by investing activities amounted to \$32,010,000, compared to \$52,800,000 in the Fiscal 2009 First Quarter, as a result of funds provided by the maturity of short-term investments being reinvested in investments with maturities of less than 90 days. The Company's accounting policy provides that investments with maturities of greater than 90 days be considered as a short-term investment. In addition, the Fiscal 2010 First Quarter reflects the collection of a promissory note and proceeds from the sale of warrants relating to the sale of one of the Company's subsidiaries in 2007.

Cash flows from operating activities of discontinued operations

The Company used cash from discontinued operations of \$(193,000) in the Fiscal 2010 First Quarter, compared to using cash of \$(921,000) in the Fiscal 2009 First Quarter. The reduction in the cash used from discontinued operations between the two years was due to lower payments of legal fees and other liabilities relating to previously owned discontinued operations and the collection of an accounts receivable balance during the Fiscal 2010 First Quarter.

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Contractual Obligations

The Company does not have any remaining material contractual obligations pertaining to its continuing operations.

Capital resources

CoolBrands' cash requirements are substantially unchanged from those disclosed in the annual MD&A for Fiscal 2009. The Company believes it has sufficient liquidity to fund operations for the foreseeable future.

Payment requirements

Payment requirements are substantially unchanged from those disclosed in the annual MD&A for Fiscal 2009 and no new material obligations have been incurred.

Risk factors and uncertainties

Risk factors and uncertainties are substantially unchanged from those disclosed in the annual MD&A for Fiscal 2009, except as described in the Liquidity section above dealing with changes in interest rates. As noted in the liquidity section above, one of the Company's subsidiaries is a sponsor of a defined benefit pension plan. Based on the latest actuarial report as at January 1, 2009, the plan had an actuarial liability in excess of plan assets. The actuarial valuation process contains measurement uncertainty. Accordingly, there is no assurance that the plan assets will, in the future, exceed the actuarial liability, as the assumed rate of return on invested assets may not be attained. Also, market driven changes may result in changes in the discount rates and other variables which would result in the Company being required to make contributions in the future that differ significantly from the estimates.

Critical accounting estimates

Significant estimates are used in determining, but not limited to, the allowance for collection risk on promissory notes receivable, income tax valuation allowances, accrued liabilities, pension plan assumptions and contingencies. Actual results could differ from the estimates made by management in preparing the consolidated financial statements. Due to the recent downturn in the financial markets, the value of assets supporting the defined benefit pension plan has decreased. Management will continue to review the estimates for the expected rate of return on assets and the discount rate used in determining the actuarial liability to ensure they are appropriate in the current market environment. The latest actuarial calculations are based on an expected rate of return on assets of 7.5% compared to the plan's five year average return of 0.3%. The discount rate used is 5.69% compared to a 7.11% rate used in the prior year actuarial calculation.

Transactions with related parties

The nature of transactions with related parties is unchanged from those disclosed in the annual MD&A for Fiscal 2009.

Disclosure Controls and Internal Controls

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal control over financial reporting.

There have been no changes in internal controls over financial reporting since November 18, 2009, the date of the Company's Management's Discussion and Analysis of its financial position for the fiscal year ended August 31, 2009, that have materially affected, or are reasonable likely to materially affect, the Company's internal controls over financial reporting.

The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures and the design of internal controls at November 30, 2009, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

Management recognizes that the internal controls it has established for its current operations are impacted by the potential lack of segregation of duties due to a limited number of staff involved in performing accounting and financial disclosure activities.

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Changes in accounting policies

There have been no changes in the critical accounting policies from those disclosed in the annual MD&A for Fiscal 2009, except as noted below. For all of these policies, management cautions that future events rarely develop exactly as forecast, and management's best estimates may require adjustment.

a) Goodwill and intangible assets:

CICA Handbook Section 3064, "Goodwill and Intangible Assets", establishes revised standards for recognition, presentation and disclosure of goodwill and intangible assets. The adoption of this standard as at September 1, 2009 did not have a material impact on the Company's consolidated financial statements.

b) Financial instruments – recognition and measurement:

CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", provides guidance to assess whether there is objective evidence of impairment of available-for-sale financial assets, as well as guidance on reclassifications of embedded derivatives that cannot be separated from the host contract. The adoption of this standard as at September 1, 2009 did not have a material impact on the Company's consolidated financial statements.

c) Financial instruments – disclosures:

CICA Handbook Section 3862, "Financial Instruments – Disclosures", provides for additional disclosures in the Company's annual financial statements on fair value and liquidity risk disclosures by requiring Company's to disclose a fair value hierarchy used in assessing the values of financial instruments, a maturity analysis of financial liabilities and a description of the management of liquidity risk. The Company will be providing this required disclosure in its annual consolidated financial statements for the year ended August 31, 2010.

IFRS changeover plan

In its annual MD&A for the fiscal year ended August 31, 2009, the Company provided its plan outlining activities and milestones in order to achieve conversion to IFRS by the date mandated by the Canadian Accounting Standards Board. There has been no change to the plan status as described in the annual MD&A. The Company expects to meet all milestones through to completion of the conversion to IFRS.

Financial Instruments and Other Instruments

The Company has identified a number of financial instruments relating to its operations and has made the following classification of these financial instruments in its financial statements:

- Cash, short-term investments, interest receivable and investments in marketable securities are classified as financial assets held for trading and are measured at fair value. Fair value of investments in short-term investments and marketable securities has been provided by the financial institution holding these investments and is based on prevailing market rates for such instruments;
- Promissory notes receivable are treated as a held-to-maturity investment and are recorded at amortized cost using the effective interest method. No provision has been made against these receivables for potential collection risk;
- Accounts receivable are classified as loans and receivables and are initially measured at fair value. Subsequent period revaluations are recorded at amortized cost using the effective interest rate method; and
- Accounts payable and accrued liabilities are classified as other liabilities and are initially measured at fair value. Subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.

These financial instruments subject the Company to the following risks:

- Interest rate risk arises from the investment of its cash resources in interest-bearing securities such that a reduction in market interest rates would reduce the amount of interest revenue earned by the Company. The Company has invested its funds in short-term investments that mature at various dates within six months from the date of investment. A mixture of maturity dates allows the Company to reinvest funds based on prevailing interest rates over a range of dates.

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- Foreign exchange risk arises as the Company holds certain financial instruments in U.S. dollar based currency. The amounts of the U.S. dollar based assets exceed the amounts of the Company's U.S. dollar based liabilities. As a result, a decrease in the value of the U.S. dollar compared to the Canadian dollar exposes the Company to foreign exchange losses in its financial statements.
- Credit risk exists as a result of investments in financial institutions and other commercial enterprises. The Company attempts to mitigate this risk by investing only in institutions with minimum of A or equivalent ratings by recognized rating agencies and has not invested in asset-backed securities.

The Company has not purchased any financial instruments that provide a hedge against the above-noted risks.

Legal matters

CoolBrands is subject to various legal proceedings and claims, either asserted or unasserted, that arise in the ordinary course of business. CoolBrands evaluates, among other things, the degree of probability of an unfavorable outcome and reasonably estimates the amount of the loss. Significant judgment is required in both the determination of the probability and as to whether an exposure can be reasonably estimated. When CoolBrands determines that it is probable that a loss has been incurred, the effect is recorded in the Consolidated Financial Statements. Although the legal outcome of these claims cannot be predicted with certainty, CoolBrands does not believe that any of the existing legal matters will have a material adverse affect on its financial condition or results of operations. However, significant changes in legal proceedings and claims or the factors considered in the evaluation of those matters could have a material adverse affect on CoolBrands business, financial condition and results of operation.

On October 31, 2006, Capricorn Investors III, L.P. ("Capricorn"), the parent of Americana Foods Corporation, filed a complaint in the Supreme Court of the State of New York ("the Court") against CoolBrands, Integrated Brands, Inc., CBA Foods LLC, CB Americana LLC and certain officers and directors of CoolBrands asserting allegations against the defendants for breaches of contract, breach of fiduciary duty, fraud and conspiracy and sought injunctive relief and damages of over \$60 million. On June 8, 2007, the Company and its co-defendants moved to dismiss the Complaint. On June 13, 2008, the Court granted the Company's motion to dismiss as to seven of the ten claims made by Capricorn in its complaint. This decision was appealed by Capricorn but was subsequently upheld by the Supreme Court, Appellate Division on October 1, 2009. On July 16, 2009, the Court rendered its second decision and dismissed all remaining claims made by Capricorn against CoolBrands and its affiliated companies. In September 2009 Capricorn filed a Notice to Appeal the Court's July 16, 2009 decision.

On December 21, 2009, CoolBrands and certain related entities entered into a settlement agreement with Capricorn relating to this lawsuit. All claims in the lawsuit shall be dismissed with prejudice and Capricorn has agreed to withdraw its Notice of Appeal. Pursuant to the settlement agreement, CoolBrands agreed to make a payment to Capricorn of U.S. \$1,050. The Company's insurer has agreed to contribute 50% of the settlement amount. The net amount of U.S. \$525 will be expensed in the Company's second quarter fiscal 2010 financial results.

In February 1992, Eskimo Pie Corporation ("EPC") entered into an agreement with the former owner of EPC whereby the former owner agreed to indemnify EPC for damages or expenses resulting from environmental contamination caused by the former owner and its predecessors on an EPC owned property located in New Jersey. Litigation has commenced by the Company to demand that the former owner abide by the terms of the agreement. In the event the Company is not successful in this litigation, it may be required to pay the costs associated with remediating the environmental contamination on the property. The cost of remediation cannot be reasonably estimated at this time.

Annual Information Form

Additional information relating to CoolBrands including CoolBrands' Annual Information Form is available on SEDAR at www.sedar.com.

Outstanding share data

As of December 18, 2009, the Company had 56,075,433 common shares and 5,500,000 warrants and 700,000 stock options to purchase common shares outstanding.

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Outlook

The outlook for Fiscal 2010 is substantially unchanged from what was disclosed in the Fiscal 2009 MD&A. As described above, the current economic situation has resulted in a decline in interest rates which has had, and will continue to have, a negative impact on the amount of investment income earned by the Company on its cash funds. The Company continues to receive and review acquisition opportunities to invest its cash funds. The consolidated results of operations for Fiscal 2010 may be significantly impacted in the event the Company undertakes an acquisition of all or a portion of another entity. It is not possible to predict with a high degree of certainty the ultimate success of future operations of the Company, including the results of the investment of the Company's financial resources.

The Company's future performance is subject to all of the risk factors and uncertainties previously disclosed.

RESPONSIBILITY FOR MD&A

Management is responsible for the preparation of this MD&A, including its reliability and timeliness of information disclosed therein. Management is also responsible to implement and monitor an effective system of internal controls and procedures to ensure that information used internally by management and disclosed externally is reliable and timely. The Company's Board of Directors is responsible for approving the MD&A.

"Michael Serruya"

"Ken MacKenzie"

Chief Executive Officer

Chief Financial Officer

December 21, 2009